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Spaulding urges Legislature to study bonding for highway projects

By Ross Sneyd, Associated Press Writer, 3/18/2004

MONTPELIER, Vt. -- Highways across the state are crumbling and heaving again this spring as the frost comes out of the ground and policy makers say there's not enough money to fix them or build a handful of big new projects.

So they're looking into new ideas -- from borrowing the cash to establishing tolls on certain highways -- for raising the millions of dollars needed each year to keep up with the demand.

Borrowing through a special financing program known as GARVEE bonds is the leading proposal, one that state Treasurer Jeb Spaulding urged lawmakers to embrace on Thursday.

"One reason for the predicament we are in is our attempt to fund critical large construction projects exclusively on a cash basis through annual federal and state appropriations," Spaulding said.

State Sen. Richard Sears, D-Bennington, said the backup of big construction projects, including the long-delayed Bennington Bypass, persuaded him that the state needed to look for some new options.

He introduced a bill last year that would have authorized the state to sell GARVEE bonds to pay for major projects such as the bypass, the Chittenden County Circumferential Highway, and the Missisquoi Bay Bridge.

"Obviously they're long-term projects that have a good long life," Sears said. "I became convinced that GARVEE bonds were a good alternative."

What the bonds allow a state to do is borrow money in anticipation of receiving federal transportation funds in the future. The bonds can be repaid once the federal appropriations flow into the state through annual budget bills.

That would give states more flexibility to push ahead with construction on the Bennington Bypass, for example, without having to phase it in over a longer period while waiting for federal cash.

Most policy makers agree that something is going to have to give or the state's roads and bridges, railways and airports could be in tough shape.

So the state could fund more work on the Bennington Bypass in the next few years than it otherwise would.

The state Transportation Agency reported earlier this year that the budget would have to rise more than \$90 million a year just to stay with current bridge and paving conditions.

"Commitments to other infrastructure needs have limited the resources available for paving," the agency said in its report. "Even with careful management, Vermont's highways will likely get rougher in the near future."

Some are wary of bonds, though. "I'm not sure indebtedness is the way to do it," said Sen. Vincent Illuzzi, R-Essex-Orleans. He and others worry that borrowing for road projects could endanger the state's strong credit rating and limit the amount it could borrow for other activities of state government.

"I'm not enthusiastic about more debt for the state," said Gov. James Douglas.

But he has agreed to a panel that would meet over the next few months to study what transportation funding options there are.

"I understand, driving around the roads of Vermont, that we've got some serious infrastructure needs and I'm certainly willing to look at all the possibilities to do what we can," Douglas said.

Sen. Richard Mazza, D-Grand Isle, chairman of the Transportation Committee, has been pushing for boosting spending on roads, bridges and railways. He's interested in the bonding idea but isn't enthusiastic about some other proposals, such as increasing the gasoline tax.

"I feel if we're going to make any improvement to our transportation system, we've got to explore new possibilities of funding," said Mazza, who supports the special committee to study the possibilities.

His counterpart in the House, Rep. Frank Mazur, R-South Burlington, already has some ideas. First he'd stop the practice of using some of the proceeds from the gasoline tax and transportation fees to be siphoned off to non-transportation projects.

And then he would consider putting tolls on some roads, banking on the success neighboring states have had. "You never know. New Hampshire certainly has toll roads," he said. "Maine has its turnpike. We may have to look at that."

It may get a skeptical from one of Mazur's fellow Republicans, Douglas, though.

"I hope it's clear I'm not suggesting toll roads," he said.